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INFO RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
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TREASURY FOR TFCA - BERG AND IA-BAUKOL
NSC FOR CEQ CONNAUGHTON, VAN DYKE
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SINGAPORE FOR TREASURY-BAKER
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SUBJECT: COP-13 FINANCE MINISTERS' SIDE MEETING

¶1. Summary: The Finance Minister's side meeting at the upcoming United Nations Climate Change conference seeks to review the cost of environmental damage; examine policy instruments available to address the issues; set objectives and common goals; and outline next steps. The Government of Indonesia requests that each country's delegation prepare an action plan for climate change mitigation and adaptation and provide comments on the draft statement to be provided on or about November 30. End Summary.

Finance Ministerial Side Meeting a New Tradition

¶2. The Government of Indonesia (GOI) recently held a meeting with relevant Ambassadors to brief on the GOI's goals for Finance Ministers' side meeting at the United Nations Framework on Climate Change Conference of Parties (UNFCC-COP-13) to be held in Bali December 3-14. Finance Minister Mulyani urged thoughtful participation by all delegations and noted that this would be the first Finance Ministerial at a UNFCC event. Indonesia wants to start a "new tradition," Mulyani noted.

Agenda and Substance of Finance Ministerial

¶3. The agenda of the Finance Ministerial will include the following sessions:

Session I: Magnitude of the Problems and Costs of Environmental Damage;

Session II: Policy Instruments Available to Address the Issues;

Session III: Objectives and Common Goals - National, Regional and Global;

Session IV: Next Agenda (Steps Towards Upcoming Meetings and Cooperation Among Finance Ministers).

¶4. In addition, Minister Mulyani made clarifying comments on goals

for the above topics:

-- Session I: Economic magnitude and consequences of climate change on the global economy and domestic policies. Will climate change shift global attention and resources and how? Costs of early action are less than responding to damage. Climate change is also a development, economic and investment problem. Finance Ministers need to integrate climate change-related issues into policy and financial planning.

-- Session II: How domestic policies can be developed to address climate change issues. Will CC take over the development agenda for poor countries? Can we summarize a toolkit of national policy instruments available to finance ministers? Global best practices and sharing of country experiences. Call for systemic integration of climate change adaptation and greenhouse gas mitigation into country development and poverty reduction plans.

-- Session III: Common international objectives on climate change. Where can we work together? How to address deforestation in developing countries? Can we create a global adaptation fund? There is a case for making international financing mechanisms larger, more effective, more accessible, more concessionary. Emphasize the need for innovative and additional financing for both mitigation and adaptation in developing countries. Highlight the importance of technology development and technology transfer to developing countries. Call for a global compact on climate change that combines equity, efficiency, mitigation and adaptation.

-- Session IV: Identifying next steps for Finance Ministers specifically. Call for regular follow-up meetings, discussions at future World Bank annual meetings and future COPs. Discuss and coordinate actions in the area of climate change and development.

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Finance Ministers could propose to advance the understanding of the impacts of climate change, greenhouse gas mitigation options at macro and micro-economic level. Finance Ministers could propose to review and assess financial incentive instruments to influence decision making with a view to making it lower carbon or more climate resistant (e.g. a more rational pricing for the use of scarce resources, fiscal and financial policies, insurance products, etc.)

Goals and Outcomes

15. The GOI has circulated papers from international institutions (Stern Review, OECD, Inter-Governmental Panel on Climate Change Working Group) for review the week of November 26, which have been transmitted to Departments of State and Treasury via e-mail. The GOI requests that participating delegations prepare an action plan on the implementation of financial and fiscal policies for climate change adaptation and mitigation. A draft Ministerial statement will be circulated on or about November 30. The GOI would appreciate USG comments. A press statement will be issued right after the closing of the Finance Ministerial side meeting, but the full text of the statement will be given to the UNFCCC Plenary on December 14.

HUME